OKLAHOMA
Health Care Authority

MODELING IMPACT TO OHCA OF CONGRESSIONAL BUDGET PROPOSALS

Overview

OHCA has modeled the impact of proposals put forward by Congressional leadership. These potential changes to Medicaid have significant potential effect on provider pay, eligibility and benefits.

Summary of Takeaways

- The most significant financial impact to the OHCA budget that can be quantified at this time is if the enhanced federal match of 90/10 for the Medicaid expansion population is reduced to Oklahoma's standard FMAP rate, leading to $453 million additional cost to the state in SFY 26.
- Medicaid work requirements are unknown (could decrease total costs with fewer eligible individuals, but there may be additional administrative costs to assess).
- The managed care directed payments and fee-for-service supplemental payments that go to the Oklahoma provider community, most notably hospitals, could be at risk. That total program cost exceeds $2 billion, and the state share is funded by various provider taxes and assessments.

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Risk #1: Reductions in Federal Matching Funds for Medicaid

The federal government shares in the funding of Medicaid expenditures with state governments. The rate at which the federal government matches state Medicaid funds varies by state and, for most covered populations, is determined by a formula based on a state's per capita income. By law, the match rate has a ceiling of 83% and a floor of 50%. Oklahoma is above the match floor of 50%.

Some populations, such as the Children's Health Insurance Program (CHIP) and Medicaid expansion, are matched at a different rate. This leads to a "blended share" which offers a more accurate picture of federal match. In Oklahoma, the federal government assumes 77.8% (blended share) of cost of Medicaid and CHIP.

- 90.0% of the cost for low-income adults covered under the Affordable Care Act.
- 76.5% of the cost for moderate to low-income children under CHIP.
- 66.5% of the cost for most other SoonerCare members.

Scenario 1: Eliminate the 50% floor for Medicaid and CHIP

- New blended federal share: **77.8%** (90.0% for ACA expansion adults, 76.5% for CHIP, 66.5% for other Medicaid)
- Oklahoma impact (annual change in state funds) = **$0**

Scenario 2: Eliminate the 90% federal share for ACA expansion adults

- New blended federal share: **71.7%** (66.5% for ACA expansion adults, 76.5% for CHIP, 66.5% for other Medicaid)
- Oklahoma impact (annual change in state funds) = **$453 million**

Scenario 3: Eliminate the 50% floor for Medicaid and CHIP *and* the 90% federal share for ACA expansion adults

- Same as Scenario 2 due to no impact from Scenario 1
- Oklahoma impact (annual change in state funds) = **$453 million**

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Scenario 4: Set per capita caps on federal Medicaid funding

- Establishes fixed dollar limits on federal Medicaid funding.
- The state bears full risk for unexpected events (e.g., pandemic or recession).
- To date, most block grant and per capita cap proposals have been silent on the treatment of supplemental payments. In any effort to cap federal Medicaid funding, Congress should include supplemental payments in the formula used to set state-specific block grant allotments or per capita caps. Building these resources into the allotment formula would be to the advantage of states with significant supplemental payments. A capped funding proposal likely would preclude states from increasing supplemental payments.
- States should have maximum flexibility on how to administer the program.
- Oklahoma impact (annual change in federal funds)
    - Rate Preservation Fund will effectively act as the "savings account" to provide for a rainy-day fund when adverse events occur in future.
    - If grant uses **2024 as the base year,** there is an estimated **0% change** in federal funds. If **2023** is used as the base year to determine the block grant amount, a **$626,837,060 loss** in federal funds is estimated.

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Risk #2: Restrictions on Existing Health Care Funding Streams

Provider Taxes

- Targeted taxes on health care providers and health plans.
- Revenue from these taxes is eligible for federal match and then reinvested in the healthcare system through supplemental and directed payments.
- Directed payments may incentivize high quality care, support training of new providers, or support safety net providers.
- Current federal rules allow such taxes to total up to 6% of provider/health plan revenue.

Scenario: Lower 6% cap or forbid such taxes altogether.

- Oklahoma's provider tax is capped at 4% per state statute.
- Should Congress lower the cap on provider taxes, this would greatly impact Oklahoma's directed payments and possibly program funding.
- For example, capping the tax at 3% would have an effect on Medicaid Expansion funding. State law on supplemental and directed payments requires a transfer of $130M to the Medicaid program. If the rate was reduced from 4% to 3%, the effect on the amount transferred to the Medicaid program would be approx. $32M.
- Oklahoma currently disburses around $2 billion in supplemental and directed payment funding to providers through provider taxes collected.

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Control name of the state directed payment	Aggregate amount included in the SoonerSelect Medical certification	Aggregate amount included in the Children's Specialty Program certification	Total Preprint Amount before Premium Tax and Administrative Fees
Affiliated Physicians OK_Fee_AMC_New_20240401-20250630	$122,136,278	$5,274,288	$127,410,566
Level 1 Trauma OK_Fee_IPH.OPH_Renewal_20240401-20250630	$484,096,470	$35,943,964	$520,040,434
SHOPP OK_Fee_IPH.OPH1_Renewal_20240401-20250630	$1,175,427,989	$87,275,046	$1,262,703,035
ETPS OK_VBP_BHO_New_20240401-20250630	$38,832,349	$7,484,127	$46,316,476
Other Qualified Providers TBD	$129,329,014	$5,001,096	$134,330,110
GEMT OK_Fee_Oth_New_20240401-20250630	$13,265,267	$3,748,713	$17,013,980
ASPAPP OK_Fee_Oth1_New_20240401-20250630	$9,557,535	$2,700,922	$12,258,457
Total Directed Payments	$1,972,644,901	$147,428,157	$2,120,073,058
Directed Payments with Admin Load	$1,973,004,901	$147,468,157	$2,120,473,058
Directed Payments with 2.25% Premium Tax	$2,018,419,336	$150,862,565	$2,169,281,901

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Risk #3: Changes in Medicaid Eligibility Rules

Impose "Work Requirements" on Medicaid Members

- Certain Medicaid applicants (such as working-age adults) would need to demonstrate a minimum number of hours of paid employment or another qualifying activity in order to be eligible to receive Medicaid benefits.
- Potential Oklahoma impacts:
  - Up to 230,000 of working-age adults
- Key policy considerations:
  - Exemptions (disability, student status, qualifying health conditions, caretaker, etc.).
  - Current state law allows for exemptions.
  - Documentation requirements.
  - May require new administrative costs to implement.
  - Potential constitutional limitations to Medicaid expansion population.
- Oklahoma impact (annual change in state funds)
  - U.S. House Energy and Commerce Committee. Projects $10m annual decrease in total program expenditure.